THE McKELL INSTITUTE

Rewarding Renters: How the Commonwealth can make renting easier and fairer for all Australians

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About the McKell Institute

The McKell Institute is an independent, not-for-profit research organisation dedicated to advancing practical policy solutions to contemporary issues.

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Acknowledgement of Country

This report was written on the lands of the Darug and the Eora Nations. The McKell Institute acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas.

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Executive Summary

Renting in Australia was once an informal, short-term and relatively cheap form of tenure. It was a stepping stone on an eventual and—for most—inevitable path to home ownership. This is no longer the case.

Today, renting in Australia is increasingly long-term and unaffordable. Despite the most renters wanting to own their own home, it is now expected that many will be renting for life.

As the conditions of the rental market have deteriorated over the past two decades, renters are rightly expressing their discontent—often at the ballot box. State governments have been responding by shoring up residential tenancy legislation and loosening planning laws. This effort has been supported by more indirect, and less visible, Commonwealth intervention. This paper makes the case for the Commonwealth to go even further.

Part 1 details the contemporary conditions of the national rental market. It finds that more Australians are renting than ever before and that Australians are renting for longer and longer periods. While renters are disproportionately young, it finds an emergent cohort of older renters which is likely to expand as successive generations are locked out of home ownership. It also details how renting—and rental stress—are becoming increasingly entrenched, the pivot from private landlords to agencies, and the broad desire to move to home ownership.

Part 2 makes the case for greater Commonwealth intervention in the rental market in recognition of its unique control over crucial indirect levers such as taxation and welfare, its coordinating role at National Cabinet, and its deeper fiscal pockets. It further argues that the increasingly national scale and character of the rental market challenges rightly demand a national response from the Commonwealth.

Part 3 then details five courses of action for the Commonwealth to intervene in the rental market.

First, the coordination of a National Portable Bond Scheme which returns interest to renters, not landlords or governments.

Secondly, placing weight on rental histories for access to Commonwealth Government housing assistance schemes such as the Home Guarantee.

Thirdly, expanding Commonwealth Rent Assistance eligibility to households in rental stress who are not in receipt of an existing welfare payment.

Fourthly, and alternatively, granting a 'Renter's Tax Offset' equal to the applicable rate of Commonwealth Rent Assistance to such households.

Finally, coordinating a nationally uniform prescribed rental application form to mitigate against the worst excesses of unpopular and invasive RentTech platforms.

Recommendations in Brief

This report offers five recommendations for Commonwealth intervention in the rental market to make renting fairer, more affordable, and a genuine path to home ownership:

Recommendation 1: Establishing a National Portable Bond Scheme which guarantees an interest return to renters, not landlords or governments

Recommendation 2: Better accounting for long-term rental history in applications for Commonwealth Government housing assistance schemes

Recommendation 3: Extending Commonwealth Rent Assistance to rentally stressed individuals and families not otherwise entitled to income support payments

Recommendation 4: Alternatively, introducing a highly-targeted 'Renter's Tax Offset' equal to the prevailing rate of Commonwealth Rent Assistance

Recommendation 5: Coordinating with the states to produce a nationally uniform prescribed rental application form

Introduction

Australia's national housing conversation is at an impasse, nowhere more so than with the ongoing rental crisis. Vacancy rates remain at or near record lows, market rates are patently unaffordable for working people, and—rather than a 'stepping stone' to home ownership—renting looks increasingly like a long-term tenure for an increasingly large share of the population.

Relentless finger pointing between Commonwealth, state and territory, and local governments has left those most affected by the rental crisis confused about just *whose job* it is to fix the crisis, and *how* said crisis is going to be fixed over the long term.

It is this confusing and sometimes overlapping federal distribution of housing policy powers in Australia which has made a coordinated response to the rental crisis so difficult and elusive. On the one hand, most direct policy levers that affect the rental market are held at the state level and local government level. On the other hard, the Commonwealth retains significant control taxation and over more indirect factors affecting the market.

There is no doubt that, in recent years, the Commonwealth has rightly stepped up its response to the ongoing rental crisis. Yet the gravity of the rental crisis suggest that all levels of governments—including the Commonwealth—should be doing everything in their power to ease pressure in the market and make it a more viable long-term form of tenure. There remain plenty of policy levers and coordinating roles available to the Commonwealth to give renters a better deal, both immediately and over the long term. This paper proposes five.

The nature of renting has, however, changed considerably in recent decades. What was once informal, short-term and relatively cheap form of housing tenure has become increasingly formalised, entrenched, and unaffordable. Best practice would suggest that any attempt to remedy the wost excesses of the rental crisis must both understand, and be responsive to, the contemporary challenges in the Australian rental market.

Part 1: Renting in the midst of a housing crisis

Key points:

1. More Australians are renting than ever before and for longer periods as home ownership becomes more out of reach. These renters are disproportionately young, though an older cohort is emerging

2. More renters are living in entrenched rental stress, significantly affecting their ability to move towards home ownership

3. A sizeable majority of renters do not wish to remain renters over the long term, and most cite financial concerns as their primary reason for not transitioning to ownership.

In almost every way, renting today looks significantly different to how it in the recent past in Autsralia. Any policy response—from the Commonwealth or state government—must be informed by the contemporary personal and collective circumstances of Australian renters.

More Australians are renting than ever before

As a form of tenure in Australia, renting from a private landlord was once relatively rare. Indeed, in 1994–95 only 18.4 per cent of households were private renters. This proportion has increased steadily since then, hitting 26.2 per cent in 2019–20. This has occurred alongside a concomitant decrease in those renting from state public housing providers, which fell from 5.5 per cent to 2.9 per cent over the same period.

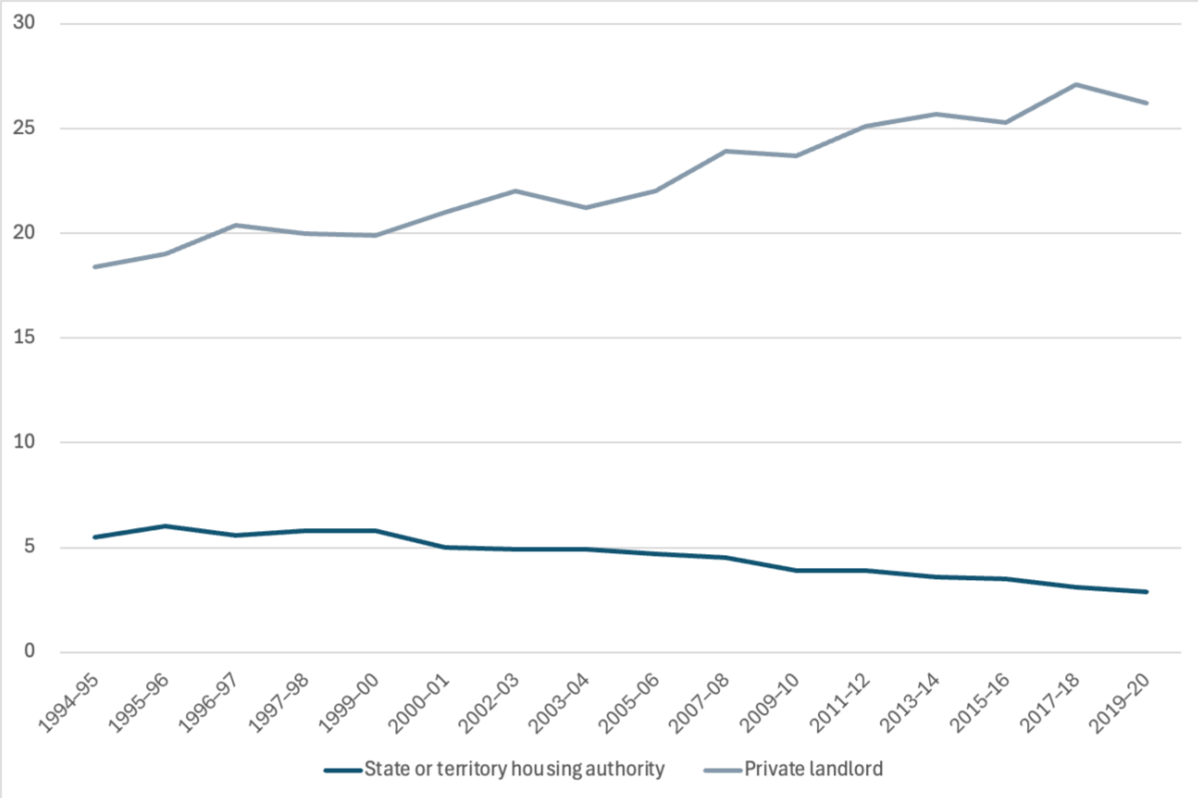

Figure 1: Percentage of households renting from state or territory housing authorities and private landlords, 1994–95 to 2019–20[1]

While data is not available to 2025, there is no reason to suggest that the trend will not continue. In fact, projections from 2020 suggest that the proportion of renters will continue to grow over the next 20 years.[2] This long-term upward trend is consistent with emergent discourse about renters as a 'voting block'.

Australians are renting for longer and longer

Renting was once considered a stepping stone to home ownership. It was an intermediate form of tenure for those unable or occasionally unwilling to purchase a home. For many working people, this state of affairs was tolerable. Market rents were manageable, and saving for a deposit was not a multi-decade endeavour. However, as renters' capacity to save for a deposit is diminished by increasing rents and runaway house prices, many are resigning themselves to long-term renting. Indeed, in Greater Sydney, a 20 per cent deposit on the median home is now approaching $300,000—a potentially insuperable obstacle for working families.

While little data is available on just how long individuals remain in the rental market, the increasing age at which individuals purchase their first home can be used as a proxy. In 2022, Australians on average purchased their first home at 34.5 years of age, compared to approximately 24 years of age in 2002.[3] Given that most Australians move out of home in their early 20s, this means that the average renter will have been in the market for well over a decade—if not longer—by the time they are in a position to purchase. Though if present conditions persist, it is likely that much of this cohort will be renting for life.

Renters are disproportionately young, though an established cohort of older renters is emerging

Consistent with the analysis above, renters are increasingly and disproportionately younger Australians. In 1996, only 55.4 per cent of households with a reference person under 35 were renters, by 2021 this had increased to 60.1 per cent. Increases of similar magnitude were also observed across the 35–54 and over 54 age group.

	1996	2001	2006	2011	2016	2021	Change
Under 35	55.4%	55.1%	54.6%	56.7%	59.7%	60.1%	+4.7%
35–54	25.8%	26.8%	27.8%	30.4%	32.9%	33.7%	+7.9%
Over 54	17.5%	17.7%	18.2%	18.9%	19.7%	20.6%	+3.1%

Table 1: Proportion of renting households with person in relevant age bracket[4]

Again, this trend of renters being disproportionately younger is consistent with—and amplified by—the observed unique collapse in home ownership rates among 25–34 year olds and 35–44 year olds in the last two decades. Such a decline has not yet been observed among older demographics.

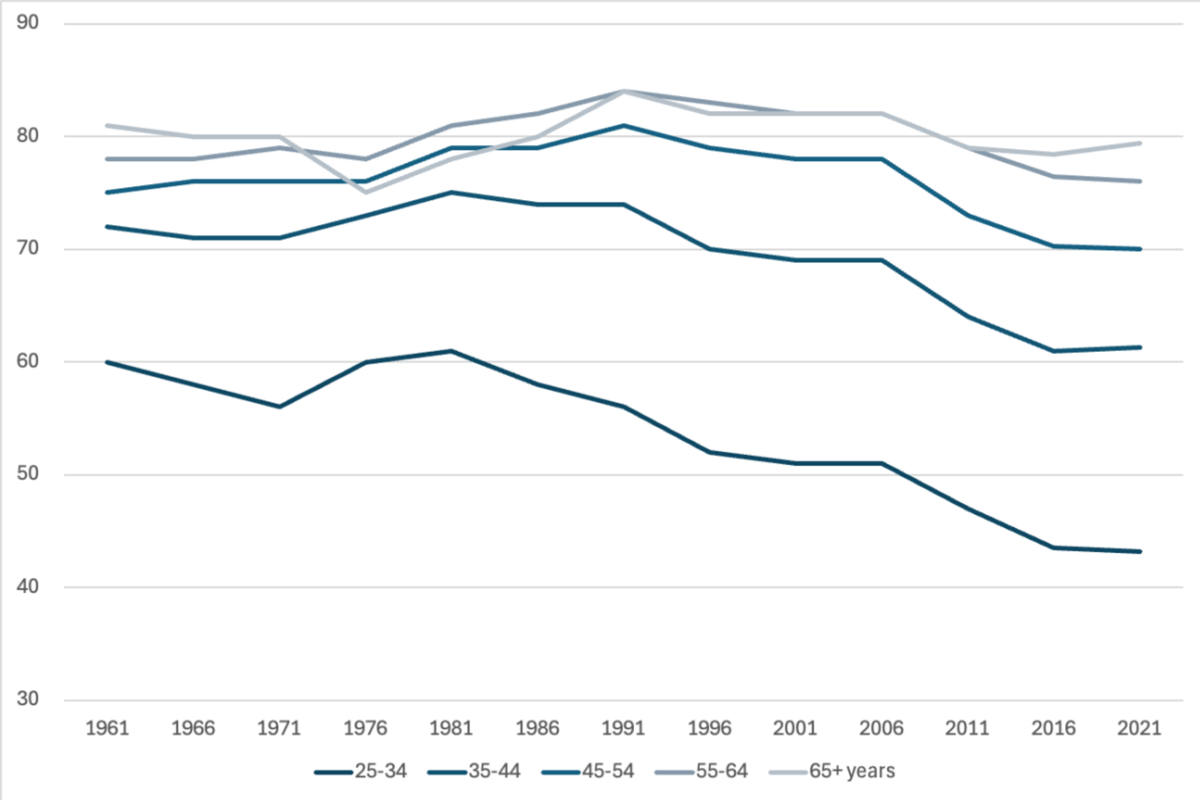

Figure 2: Home ownership rates 1961 to 2021, selected age cohorts[5]

Age cohort	25–34	35–44	45–54	55–64	65+
Change in home ownership proportion 1961–2021	-16.8%	-10.7%	-5.0%	-2.0%	-1.6%

Table 2: Change in home ownership rates, 1961–2021, selected age cohorts

Given dwelling price growth has been strongest over the past 20 years, it is likely that these generational trends are *transitional rather than transient*. In other words, as younger generations currently locked out of the housing market age, it is likely that they—and subsequent generations—will find it increasingly difficult to enter the housing market. The early knock-on effects of this transition are already being observed, with the cohort of older long-term renters expanding, particularly in recent years.[6]

More renters are living in increasingly entrenched rental stress

Alongside an increase in the number of households renting, low-income renters are also increasingly more likely to be in rental stress. In 2007–08, 38.5 per cent of low income renters were in rental stress, by 2019–20 this figure had increased to 45.1 per cent.[7] This trend is consistent with a long-term upward trend in real rental costs over the same decade.[8]

With capital city rents increasing by over 50 per cent between 2022 and 2024, it is again highly likely that this figure has markedly increased.[9] Indeed, while Australian Bureau of Statistics (**ABS**) data is not yet available, a January 2024 survey of over 1,000 renters found that *70 per cent* were in rental stress.[10]

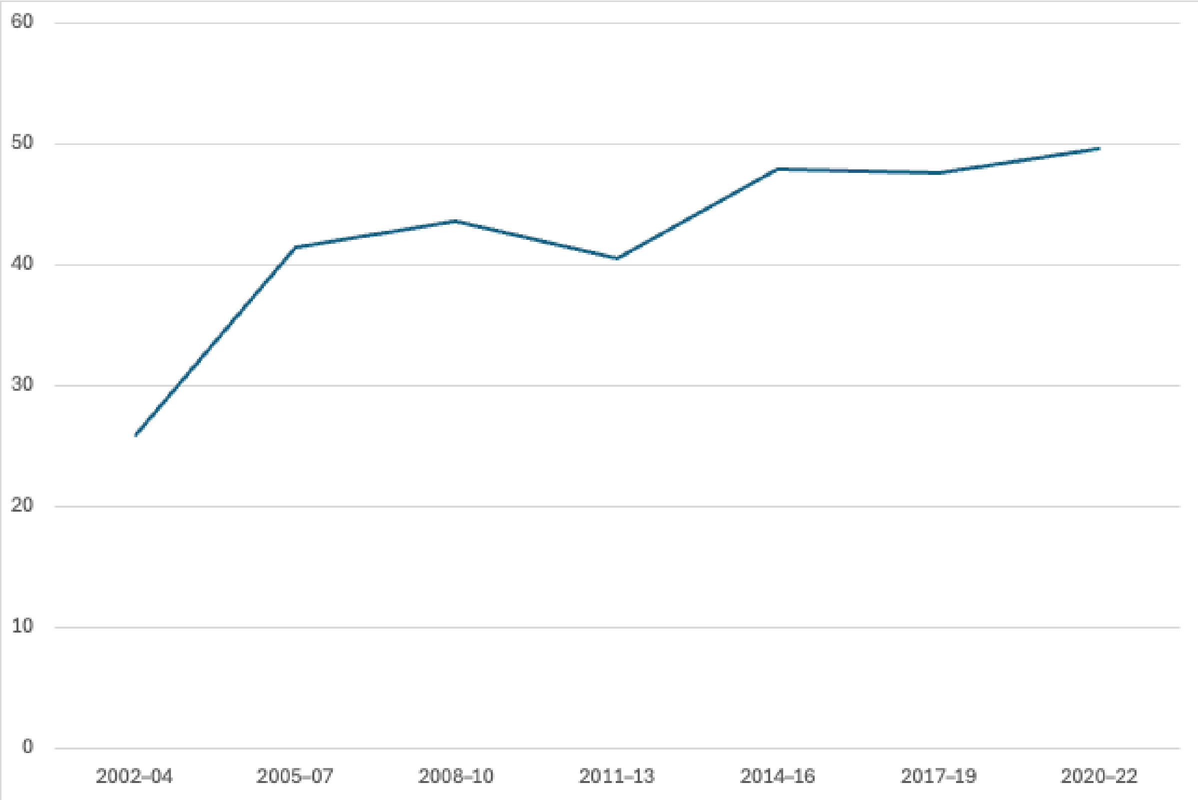

Figure 3: Percentage of low-income households remaining in rental stress from one year to the next, 2002–04 to 2020–22[11]

In addition to a higher prevalence of rental stress, more households already in rental stress are finding it increasingly difficult to *get out* of rental stress. Put differently, housing disadvantage is fast becoming entrenched for low-income households. As Figure 3 shows, entrenched housing stress for low-income households grew from 25.9 per cent in 2002–2004 to 49.6 per cent in 2020–2022. Given the abovementioned trends in the market, it is again highly likely that this figure will continue to climb, leading to broader second-order effects on social mobility in Australia.

Renters are facing more hurdles to find and pay for accommodation

Renting is increasingly done through agencies, rather than via direct contact with landlords. Census data from 2006 to 2021 suggests that agency renting has has steadily increased from

51 per cent of all renting households in 2006, to 66 per cent in 2021—with no sign of slowing down.

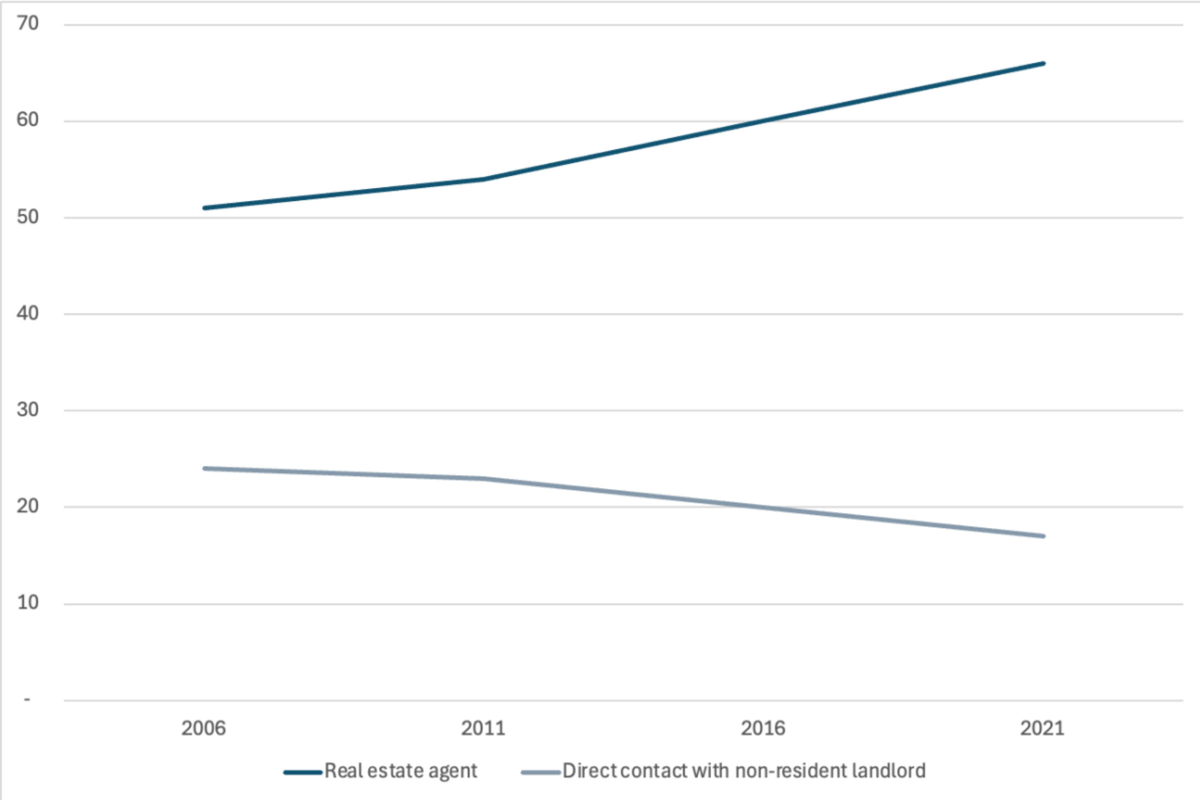

Figure 4: Percentage of properties rented through real estate agents and direct contanct with a non-resident landlord, 2006 to 2021[12]

For many, this trend is welcomed. Renting through an agency is often a more formal, secure, and arm's length affair than renting directly through a private landlord. Yet this formal relationship is often mediated by extractive third-party intermediaries and invasive questionnaires.

Indeed, rental applications are also increasingly characterised by unnecessarily invasive questionnaires vast amounts of information. Yet in a tight rental market, many current and prospective renters have no choice but to accede to these requirements even despite the pecuniary burden they impose, the inherent data privacy and discrimination risks, and their considerable unpopularity.[13]

Most renters want to move to ownership, but expect they will never be able to

Finally, most Australians who rent do not wish to continue renting. Survey data from the 2022 Australian Housing Conditions Dataset reveals that the two most commonly reported reasons for renting are pure financial constraints being 'do not have enough for a deposit or down payment' (51.5 per cent of respondents), and 'can't afford to buy anything appropriate' (41.7 per cent of respondents).

Both of these responses were increases on the 2020 proportions of responses to the same questions.[14] These attitudes are reflected in renters' perceptions of home ownership prospects, with almost half anticipating that they will never be able to home in Australia,[15] despite 80 per cent of them desiring home ownership at some point in the future.[16]

Part 2: The Commonwealth's role in improving renters' experience

Key points:

1. Most of the direct levers affecting the rental market are retained by the states, but the Commonwealth has a crucial indirect role to play in making renting both more tolerable and a more viable long term form of tenure

2. The rental crisis is now of national scale and of national importance. Voters rightly expect a national response by the Commonwealth

3. While the Commonwealth has made a number of laudable interventions in the rental market in recent years, its unique role in national coordination, taxation, social services, and deep fiscal pockets leave it well-positioned to go further

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The foregoing analysis unequivocally demonstrates that the experience of renting in Australia has markedly deteriorated over the past two decades. It has become a long-term, insecure, expensive, invasive and less-desirable form of tenure which is disproportionately experienced by younger, less wealthy Australians. The trajectory of most indicators also suggests that renters' experience will only get worse. Any policy agenda must be responsive to—and ideally attempt to reverse—these trends

Such a deterioration is neither inexorable nor inevitable. With proper intervention, coordination, and leadership, Australian governments can reverse the trend and make renting a more desirable and tolerable form of tenure. In this endeavour, the Commonweath has a crucial—but largely indirect—role to play.

The Commonwealth has an indirect role in the rental market

Most of the direct levers affecting the Australian rental markets are retained by state and territory governments—think tenancy laws, social and affordable housing provision, stamp duty and planning regulation. Many more powers are devovled to local governments through state and territory legislation including, most notably, planning and zoning administration.

But under section 51 of the *Constitution* the Commonwealth retains indirect yet significant control of factors which have considerable impacts on rental markets. For example, Commonwealth legislation governs most matters of migration, taxation, financial regulation, and the provision of welfare support—including Commonwealth Rent Assistance —all of which fundamentally influence the dynamics and experiences of the national rental market.

The Commonwealth also plays important non-legislative roles in the rental market. Through National Cabinet, it influences and coordinates state policy levers. Australia's vertical fiscal imbalance also means that many state housing responsibilities are funded—and can thus be incentivised—by grants of Commonwealth tax revenue.

It is clear that, especially in recent years, the Commonwealth has taken up the mantle of its rental market responsibilities. Multiple real increases to Commonwealth Rent Assistance (**CRA**), the perpetual Housing Australia Future Fund (**HAFF**), and the coordinating role of the National Housing Accord (**NHA**) are all laudable endeavours. Yet, rightly or wrongly, many renters feel that the Commonwealth has not assumed the leadership role that it ought to.

Renters expect leadership from the Commonwealth on issues of economic injustice

As the analysis in Part 1 demonstrates, renting in Australia has become both a symptom and a cause of a broader issue of an intergenerational and economic injustice

Young people today rightly fear that they will be renting for life. Many are also expected to be the first generation in centuries to be economically worse off than their parents. As data on entrenched housing Australia's housing stress also shows, the current state of the rental market also risks undermining social mobility both *within* and *between* generations. Put simply, the current rental crisis is one of the greatest threats to Australia's self-proclaimed egalitarian ideals. Nowhere is this decline more acutely observed than in the increasingly chasmic wealth gap between homeowners and renters.

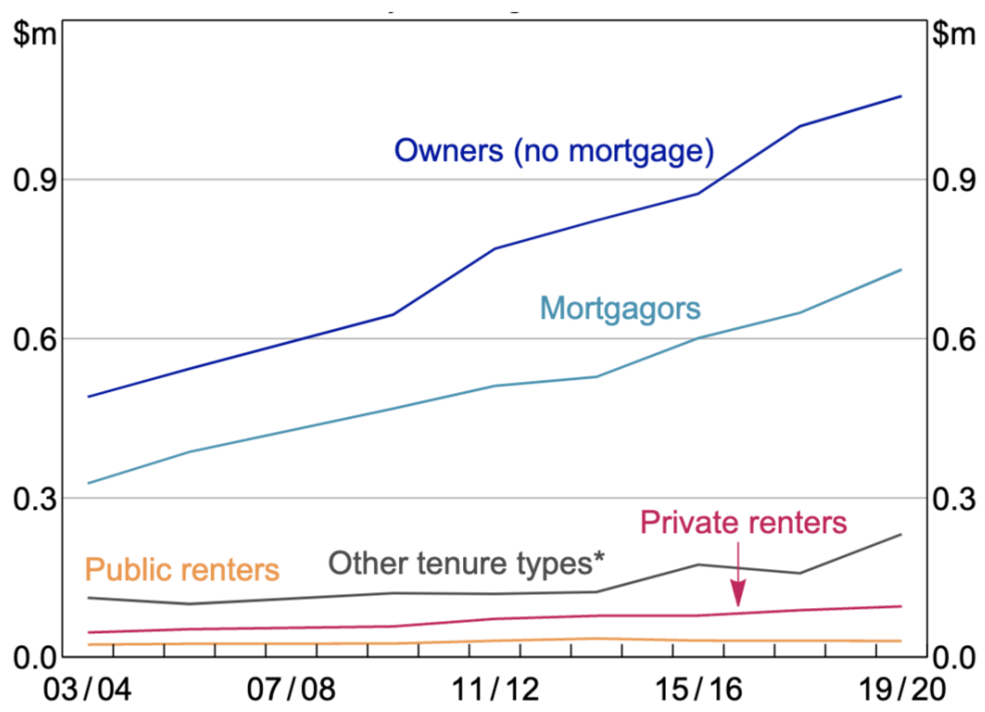

Figure 5: Median net household wealth by housing tenure, 2003–04 to 2019–20[17]

High rents and runaway dwelling prices mean that saving for a deposit has become a pipe dream for many. Further, given the concentration of Australian wealth in housing, renters are much less likely to be able to accumulate and bequeath wealth to their children. As Figure 5 lucidly demonstrates, this effectively engenders a phenomenon of intergenerational renting.

It is clear, then, that the issues inherent in the Australian rental market are now fundamental issues both of intergenerational and economic injustice. Relevantly, the worst excesses of the rental market are being felt across the entire country. Though not experienced entirely equally across the federation, the rental crisis has truly become an issue of *national scale* and of *national importance*. Current and prospective renters rightly expect leadership from our national government: the Commonwealth.

Part 3: How the Commonwealth Government can Reward Renters

Recommendation 1: Establishing a National Portable Bond Scheme which guarantees an interest return to renters, not landlords or governments

The idea in brief: The McKell Institute is proposing a the Commonwealth work with the states to coordinate a uniform National Portable Bond Scheme. It is submitted that this would enhance interstate mobility, reduce routine administrative and financial barriers, and return a not insignificant interest dividend to renters—rather than landlords or governments—on the cessation of the lease.

Australian renters are typically required to pay two to four weeks rent up-front in the form of a rental bond when securing a lease on a property. Traditionally, a rental bond has been held by the landlord, who can then return the bond to the renter upon the cessation of the lease. The bond acts as a security deposit, allowing the landlord to use money held with that bond to cover any expenses related to repairs that exceed the expected wear-and-tear on a dwelling during the occupation by a renter. Bonds also act as an unofficial form of financial means-testing for prospective renters.

While bonds are an established and practical component of the renter-landlord dynamic, they also create issues when it comes to disputes between tenants and landlords. Over time and in response, bonds have increasingly been held not by landlords, but by central entities run by the government. This enables ready access to the sum of the bond by either the discharged renter, or by the landlord should there be a legitimate claim for the bond at the cessation of the lease.

On most occasions, however, renters are entitled to receive their bond returned in full. Private renters move much more frequently than public renters and home owners—with approximately 29 per cent of them moving each year.[18] The bond turnover of this frequency in moving is both financially challenging and administratively cumbersome.

For this reason, the concept of *portable bonds* has been advanced in recent years. A portable bond scheme allows for a renters bond to be held by a central entity, usually run by a government agency, which can then be carried over seamlessly from one lease to another. For a landlord, this maintains the security that a bond directly held by the landlord carries, and for tenants, it eases the administrative and cash-flow challenges associated with paying for a new bond each time they move into a dwelling. Australia's first portable bond schemes are in the early phases of implementation in both New South Wales and Victoria.[19]

Building on this progress, the McKell Institute is proposing the establishment of a National Portable Bond Scheme (**NPBS**)—a scheme that would see the Commonwealth work collaborative with all state and territory governments to create an interoperable national portable bond scheme.

The NPBS would allow portable bond transfers across states, and establish a standardised set of rules for portable bonds. Chief among these would be the return of compounded interest earned on bonds to renters upon the removal of the portable bond from the centralised system. This feature is especially salient as interest rates remain elevated by historic standards. Currently interest on residential bonds is frequently collected, kept and allocated by the state governments, with tenants often seeing nothing. Schemes do, however, vary greatly between states and territories.[20] The scheme would still allow legitimate claims against the bond by landlords, and plug into existing state and territory civil and administrative dispute resolution mechanisms.

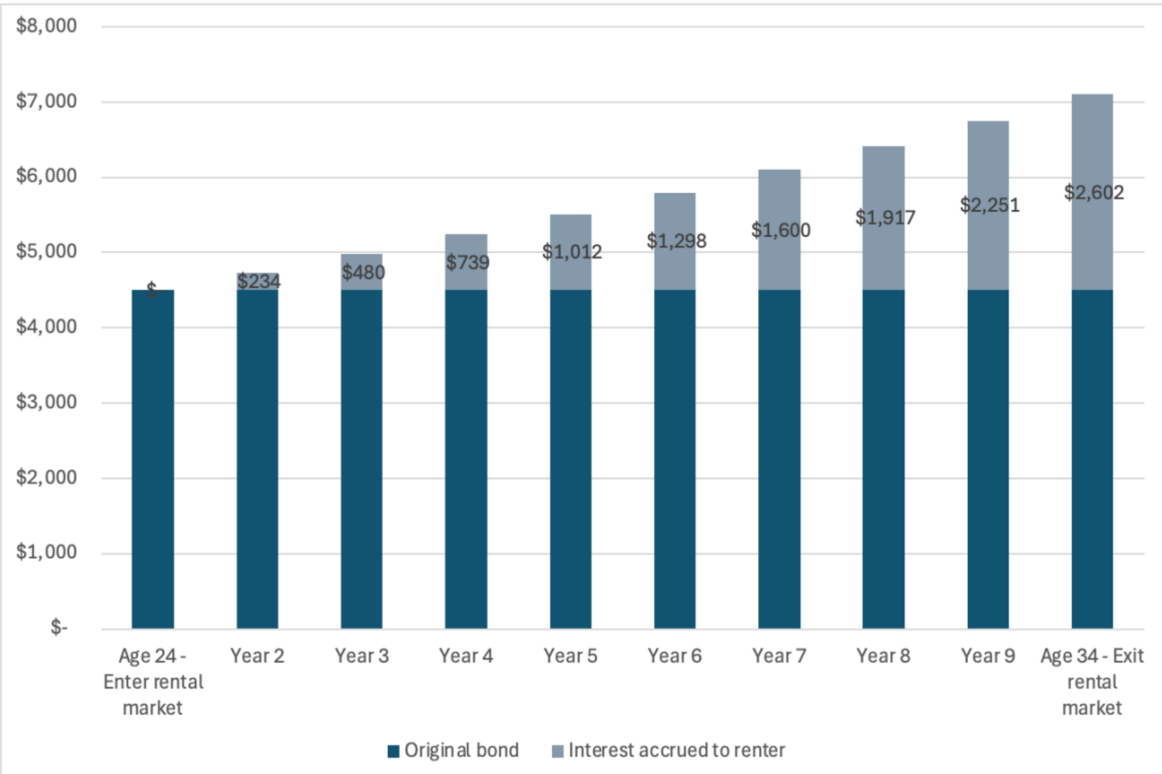

Figure 6: 10-year dividend for typical Sydney renter

For example, as Figure 6 demonstrates, a renter in the Sydney private market with a standard $4500 bond would see—after 10 years in the rental market and assuming no property damage—a return of over $2,600 on leaving the rental market based on a 5.2 per cent annual return. It is also expected that a more seamless National Portable Bond Scheme would improve productivity by easing recently falling interstate mobility and thus promoting better job-matching.

Recommendation 2: Better accounting for long-term rental history in applications for Commonwealth Government housing assistance schemes

The idea in brief: Too often applications to Commonwealth and state homeownership assistance schemes—such as the Home Guarantee—feel like lotteries. The McKell Institute is proposing that the Commonwealth take into account long-term reliable rental histories in allocating places under their home ownership assistance schemes, and encourage states to do the same.

The Commonwealth's 'Home Guarantee Scheme' (**HGS**) supports eligible home buyers who do not yet meet the minimum 20 per cent deposit typically required for a home loan. Unlike 'Help to Buy' and 'Shared Equity' schemes the Commonwealth does not front up capital. Rather, provided that the purchaser has at least a 5 per cent deposit, the Commonwealth guarantees the remainder of the loan up to the standard 20 per cent deposit.[21]

The HGS provides two key benefits to prospective purchasers. First, it significantly reduced the upfront deposit required by the purchaser. With dwelling values continuing to climb across the country and savings rates at multi-year lows, saving for a typical 20 per cent deposit can now take years, if not decades. Secondly, by guaranteeing the loan, the HGS effectively removes the lenders' mortgage insurance (**LMI**) which would otherwise be payable by the prospective purchaser with a sub-20 per cent deposit.

Yet the HGS—like many other buyer assistance programs across the country—is highly limited in the numbers or purchasers it can support. For the 2024–25 financial year, only 35,000 places were reserved in the flagship scheme , the First Home Guarantee (**FHBG**). The Regional First Home Buyer Guarantee and Family Home Guarantee had 10,000 and 5,000 places reserved respectively. Places are allocated through lenders participating in the scheme, rather than any direct application process.[22]

While there is no publicly available data on places sought under the scheme, it is highly likely that there is considerably more interest in the scheme than available places for participating lenders. It is also likely that a significant proportion of applicants to the scheme are long-term renters looking to purchase their first home. Yet for many, year after year, this dream feels more and more unachievable.

The McKell Institute proposes that the HGS be calibrated so as to prioritise purchasers with reliable long-term rental histories. If the Government's Shared Equity Help to Buy 2023 Bill passes the Senate, it is submitted that this too should give priority to applicants based on their rental history. Given that such programs are typically targeted at vulnerable cohorts, this need not be a determinative factor—but it should be an important one.

By prioritising this cohort, the Commonwealth can both incentivise tenants to meet their obligations, but it can also make renting a more meaningful intermediate stepping-stone into home ownership, rather than a dead-end. Given the myriad of other numerically limited buyer assistance programs at the state level, including first-home buyer grants and shared equity schemes, the Commonwealth should coordinate the states at the National Cabinet to extend priority in their existing schemes to those with reliable long-term rental histories.

Too often do buyer assistance feel like lotteries. While they should certainly assist the vulnerable—they should also reward those who—through no fault of their own, are left renting much longer than they ought to be.

Recommendation 3: Extending Commonwealth Rent Assistance to rentally stressed individuals and families not otherwise entitled to income support payments

The idea in brief: Australia is unique in that its flagship low-income rental subsidy, Commonwealth Rent Assistance, is limited to individuals already receiving an existing welfare payment such as the Aged Pension or JobSeeker. This is likely for constitutional reasons. However this feature of our social security system means that many working low-income renters who need rent assistance cannot receive it, and many receive rent assistance who do not need it. The McKell Institute is proposing that the states refer power to the Commonwealth under section 51(xxxvii) to allow the Commonwealth to pay rent assistance on a needs basis. This simple change would support hundreds of thousands of households, and come with a relatively small price tag.

Section 1070 of the *Social Security Act 1991* (Cth) provides that in order to be eligible for CRA individiuals must be in receipt of another support payment such as the Aged Pension, Youth Allowance, JobSeeker or Austudy. Households on these support payments are eligible for a rent-scaled (but capped) CRA on top of their baseline payment if they pay above a prescribed amount in rent per fortnight, with maximum rates and income thresholds differing based on whether one is single, shares, or lives as a couple.

It is understandable and desirable that these cohorts receive CRA, given their heightened vulnerability to the worst excesses of the rental market. However, the fact that CRA must 'piggyback' onto an existing support payment means that many working people struggling to pay rent who would benefit greatly from CRA are deemed ineligible. This is likely for constitutional reasons, given that the Commonwealth's legislative power is limited to the provisions of specific welfare allowances enumerated in section 51(xxiiiA) of the *Constitution*, rather than to provision of income support more generally.

What this means, however, is that in many cases CRA cannot be targeted to *those that need it most*. This makes Australia peculiar in its approach to housing support payments. For example, the New Zealand government make 'Accommodation Supplement' payments on a needs basis, rather than piggybacking on existing welfare payments.[23]

In 2023, CRA cost the Commonwealth approximately $4.7 billion, and had approximately 1.24 million receipients (either couples or singles).[24] 76.2 per cent of recipients received the maximum payment.[25] The CRA is—by all measures—an incredibly successful income support payment. Indeed, in 2023, it brought approximately 344,000 recipients out of rental stress, and a further 176,000 out of paying over 50 per cent of their income to rent.[26]

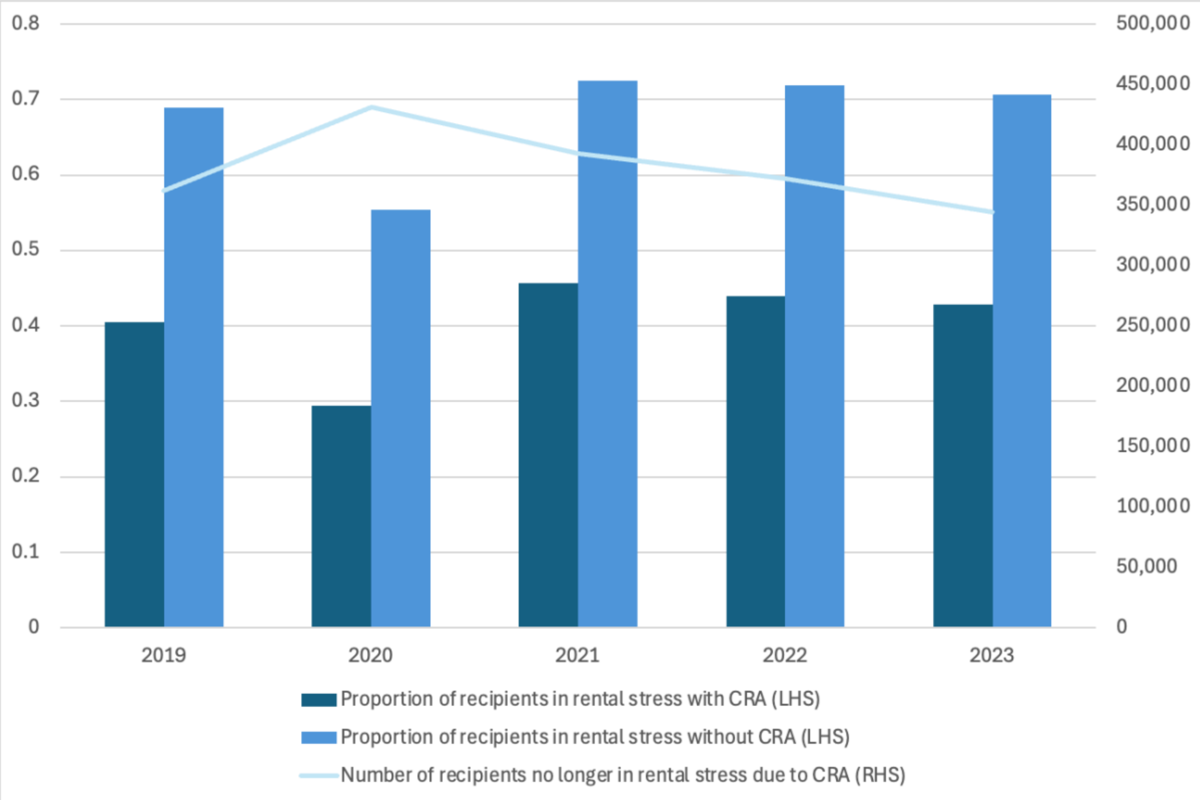

Figure 7: CRA and prevalence of rental stress, 2019 to 2023[27]

Yet, as intimated above, of the 70 per cent of renters in rental stress, a significant proportion—mostly low-income working families—are ineligible for CRA. In fact, in 2020 it was estimated that there were 246,000 households in rental stress who were ineligible for CRA.[28] Further, in 2023, there were over 365,000 households which received CRA despite not being in rental stress to begin with. In other words, CRA has become an incredibly *inaccurate* way of targeting actual unmet housing need.

Analysis of 2020 CRA figures from the Australian Housing and Urban Research Institute (**AHURI**) suggests that tailoring CRA to reflect actual housing need, rather than piggybacking on existing welfare payments, would be both cost-efficient and highly effective at reducing housing need. Their analysis found that, Australia-wide, allocating CRA based on housing need would both in total ‘reduce the population of low-income private renter income units in housing stress by 371,200 or 44 per cent’ as well as ‘generate annual cost savings of $1.2 billion’.[29]

In line with this analysis, the McKell Institute is proposing that CRA be distributed based either *only* on housing need, or alternatively *expanded* beyond current recipients to households in rental stress who are currently ineligible for any existing welfare payment. While this proposal may be beyond Commonwealth legislative power, it is recommended that this be remedied by the states each make a referral to the Commonwealth to enact such legislation under s 51(xxxvii) of the *Constitution*.

It is likely that the former proposal would be revenue positive and a more efficient use of public funds, while the latter expansion of the program—based on the 2023 CRA expenditure and 2020 AHURI household data—would cost approximately $920 million.[30] However this estimated likely overshoots the actual cost, given that 2022–23 saw a decrease in CRA payments compared to 2019–20, 2020–21 and 2021–22. In other words, it is likely that rental stress generally peaked when AHURI estimated the number of households in rental stress back in 2020.

Recommendation 4: Alternatively, introducing a highly-targeted 'Renter's Tax Offset' equal to the prevailing rate of Commonwealth Rent Assistance

The idea in brief: As detailed in Recommendation 3, there are hundreds of thousands of Australian households in rental stress who are ineligible for Commonwealth Rent Assistance for the simple reason that they do not receive an existing welfare payment. As an alternative to expanding Commonwealth Rent Assistance eligibility, the Commonwealth could grant ineligible rentally stressed individuals a 'Renter's Tax Offset' equal to the prevailing applicable Commonwealth Rent Assistance rate. This offset would harness the existing administrative efficiencies in the Commonwealth tax system, provide welcome relief to renters, and likely be equal to only five per cent of the total foregone revenue from the capital gains tax discount while being much more equitable distributed.

For decades Australia's tax system has been used to subsidise housing—just not for renters. In fact, in 2020–21, $17.1 billion of tax revenue was foregone by the ATO in rental deductions afforded to property investors. Of this $17.1 billion, $2.7 billion was foregone on negatively geared properties.[31]

In addition, the 50 per cent capital gains tax (**CGT**) discount—a significant proportion of which is captured by investments in residential property—led to $9.3 billion in foregone revenue in 2020–21, with 82 per cent of the tax benefit captured by the top 10 per cent of income earners.[32] ATO estimates suggest both schemes will have led over $307 billion in aggregate foregone revenue in the eight financial years between 2019–20 and 2026–27.[33]

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
Rental Deductions	$18.6bn	$17.1bn	$16.7bn	$24.0bn	$27.1bn	$25.6bn	$26.8bn	$28.2bn
CGT Discount	$9.2bn	$9.3bn	$15.6bn	$25.3bn	$19.1bn	$15.5bn	$14.7bn	$15.2bn
Rolling Aggregate	$27.8bn	$54.2bn	$86.5bn	$135.7bn	$181.9bn	$223.0bn	$264.4bn	$307.8bn

Table 3: Foregone revenue from rental deduction and CGT discount, 2019–20 to 2026–27

The Commonwealth's tax legislation and administrative framework both can, and should, be used to east the burden on renters as well as investors. By international standards, this is not a novel proposal. Indeed, in the United States, various states offer tailored tax credits to renters,[34] and recent years have seen such proposals considered at a national level by Congress.[35]

Accordingly, a less constitutionally difficult alternative to expanding CRA access might be the creation of a near-identical 'Renter's Tax Offset'. This could apply to low-income renters in rental stress who are non-recipients of existing welfare payments, apply at the otherwise applicable rate of CRA, and be claimed at the end of the financial year. 'Rental stress' here should be understood according to the 30:40 formula, meaning households in the bottom 40 per cent of the income distribution paying more than 30 per cent of their income to housing costs.[36]

For example, an single individual renting a home may be earning $2,400 in gross income per fortnight, and paying $1,200—or 50 per cent of their gross income—in rent. These figures would place the household in the bottom 40 per cent of Australian income earners, and in severe rental stress. At the end of the financial year, at current marginal tax rates, they would have a tax liability of $10,747. If they were entitled to CRA throughout the year, they would have received the maximum $5,491 in fortnightly payments over the financial year.[37] Accordingly, with a Renter's Tax Offset the working member of the renting household would be entitled to a tax offset equivalent to the amount they would have received in CRA if they were eligibile. In effect, such an offset would operate as a deferred CRA payment for non-welfare recipient households in rental stress.

There are difficult questions about administration of such a program, but the fundamental premise remains solid—especially if based off the current prevailing approach to CRA administration. It is acknowledged that such an offset would not reduce the rental burden fortnight-to-fornight, but operate as a windfall after the first financial year. An alternative to this approach may be granting the *landlord* the end-of-year tax offset in exchange for a CRA equivalent reduction in rent throughout the financial year, but precautions would need to be taken to ensure the economic incidence of the offset remained with the renter. Similarly, questions remain about whether such a credit should be available *per household* or *per taxpayer* for couples and multi-income households. It is suggested that the per household approach, as is currently taken in administering CRA, is preferable.

Table 4 details the foregone tax revenue from providing non-welfare recipient rentally stressed households with the Renter's Tax Offset based on assumptions about both the number of rentally stressed households ineligible for CRA, and the amount that would be paid to each household annually. The actual number of CRA ineligible rentally stressed households from AHURI 2020 estimates—246,000—is taken as a midpoint estimate for 2024. However, given such an estimated was taken at the height of the COVID-19 pandemic, and CRA expenditure eligibility and expenditure have been falling since, it is highly likely that this is an overstimate. The upper and lower estimate are ±75,000 from this midpoint.

	Lower estimate of CRA ineligible rentally stressed	2020 actual CRA ineligible rentally stressed	Upper estimate of CRA ineligible rentally stressed
Maximum possible annual CRA expenditure per household	$0.94bn	$1.35bn	$1.76bn
Average 2023 annual CRA expenditure per household	$0.64bn	$0.92bn	$1.20bn

Table 4: Foregone tax revenue from Renter's Tax Offset, various assumptions

The outputs in Table 4 suggest that the Renter's Tax Offset would cost the annual budget approximately $1 billion in foregone revenue every year while simultaneously granting a generous tax offset to hundreds of thousands of rentally stressed households otherwise ineligible for CRA. Nor would it break the budget. In fact, if we take the $920 million estimate, the tax expenditure cost of this offset would be 4.8 per cent of the total estimated tax expenditure cost of the CGT for 2023–24. In other words, broad-based rental stress relief for Australia's most vulnerable households would cost a under one twentieth of the cost of our most generous tax handout which accrues disproportionality to Australia's most wealthy.

With the Commonwealth reporting a $15.8 billion underlying cash surplus for 2023–24 and the likely minimal impact on inflation, there is no compelling fiscal argument against such relief.

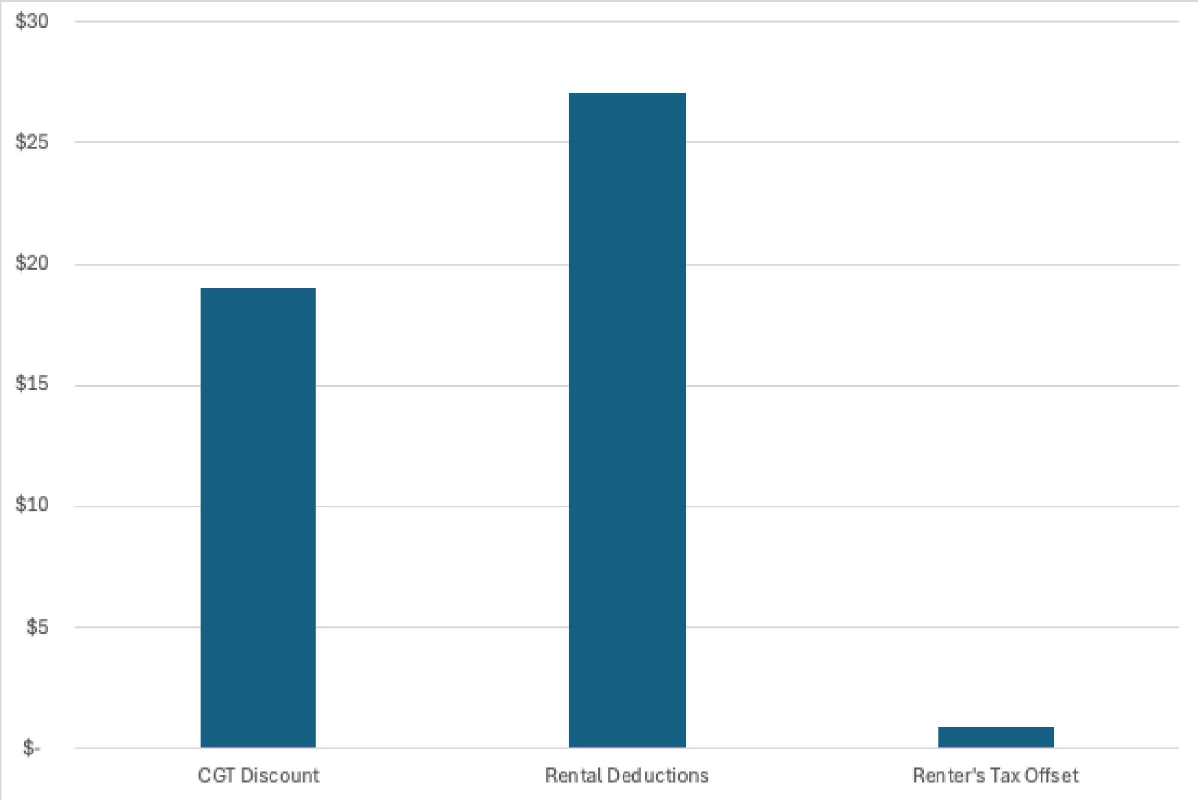

Figure 8: Tax concession foregone revenue estimates for 2023–24, billions

Overseas research is largely supportive of similar tax credits for renters. In the United States, for example, Will Fischer finds that a renter's tax credit 'offers an important opportunity in a challenging budget and political environment *to help more of the nation's most vulnerable families and individuals keep a roof over their heads*'.[38] In 2018, modelling from Sarah Kimberlin and her co-authors found that:

> [A] renter's tax credit harnesses the efficiencies of the tax system while targeting those who bear the brunt of the housing affordability crisis in the United States. *The credit achieves a meaningful reduction in poverty for poor families while bringing overall federal housing expenditures into a more equitable equilibrium*[39]

Sarah Kimberlin and Elizabeth Kneebone rightly find that renter's credits are not a panacea for housing affordability, but raise 'important considerations for policy-makers exploring the role a renter's tax credit could play in ameliorating housing affordability challenges'.[40] The tax system can and should play a role in relieving to remedy Australia's deep housing unaffordability challenges.

Targeted tax relief to working Australians in rental stress at the applicable rate of CRA would be an equitable, administratively efficient, and fiscally prudent lever immediately available to the Commonwealth.

Recommendation 5: Coordinating with the states to produce a nationally uniform prescribed rental application form

The idea in brief: RentTech platforms are facilitating excessive and unneccesary collection of information from rental applicants. This trend is driven by structural inequalities in the tight rental market, meaning prospective applicants often have no choice but to accede to such requests. This race to the bottom is understandably unpopular with renters, but it also exaxerbates both data privacy and discrimination risks. Accordingly, the McKell Institute recommends that the Commonwealth convene National Cabinet to develop a prescribed national rental application form, which places an upper bound on the amount and type of information which can be sought by agencies. This would be broadly consistent with the existing primacy of the Commonwealth in privacy and discrimination governance.

Australia's extremely tight rental market gives landlords the upper hand in almost every aspect of renting. For example, despite bans on its solicitation, rent-bidding remains ubiquitous across Australia. In a similar vein, given the disproportionately high number of applicants per rental, agencies—often via 'RentTech' platforms—are requesting and soliciting increasingly invasive information from prospective rental applicants. The power asymmetry inherent in the rental relationship means prospective tenants often have no choice but to comply to maximise their prospects of a successful application. Indeed, renters are frequently pressured—often tacitly—to comply with such requirements.

Recent survey data from Choice found that renters were being asked, or incentivised, to provide information reaching far beyond what has historically been required. Examples include birth certificates, reference letters from personal contacts, ATO assessments and medical histories.[41] Renters are understandably reticent to provide such information. In fact, in April 2023, 60 per cent of renters reported being uncomfortable with the 'amount and type of private information request in their rental application'.[42] Over half did not understand why personal private information was required at all, and over one quarter *did not apply* for a property due to the information that was required.[43]

Despite the proliferation of highly invasive screening tools, renters resolutely prefer traditional application questionnaires and methods. In fact, the same Choice survey found that 67 per cent of applicants preferred conventional application methods.[44] However, consumer preferences for less invasive methods are not the only relevant consideration. Recent large-scale data breaches underscore just how vulnerable many Australians are to having their personal information exposed online. The risk is only amplified as real estate agencies and RentTech platforms gather an ever-increasing volume of information. As one commentator put it: there is a 'potential risk of an Optus-style data breach waiting to happen in the real estate industry as it amasses more and more sensitive information on rental applicants'.[45] Indeed, in late 2022, a significant data breach occurred at Harcourts Melbourne franchisee office.[46]

Another justified concern for rental applicants is the prospect of information providing the basis for unjustified and unlawful discrimination. As more Australians are left renting for longer, rental discrimination on the basis of class, gender, race, disability and sexuality poses a greater threat to housing security. To this end, the RentTech platforms which collect this information play a role in 'mediat[ing] discrimination across the rental system'.[47] As Peta Wolifson and her coauthors recently said:

> Uneven power dynamics between tenants and landlords, property managers and agents, see technology currently applied in ways that can exacerbate discriminatory processes. This is amplified by the surveillant and data-oriented natures of [RentTech][48]

Consumer preferences, data privacy risks, and the potential for discrimination all reflect an emergent and justified scepticism towards the current rental application paradigm. Renters rightly expect better.

In August 2023 National Cabinet agreed to a 'A Better Deal for Renters'. One the recommendations underpinning this agreement was to '[m]ake rental applications easier and protect renters' personal information' by prescribing state rental application forms, limiting documentations which can be requested and in some cases requiring the destruction of personal information.[49] Yet by August 2024, only South Australia and Queensland had legislated to protect renters' personal information.[50]

Accordingly, the McKell Institute proposes that the Commonwealth reconvene National Cabinet to develop and prescribe a *nationally uniform* rental application form which limits required documentation to the categories of identity, financial ability to pay rent, and suitability.[51] Alongside a National Portable Bond Scheme, the Commonwealth taking charge would increase interstate mobility, and be broadly consistent with the Commonwealth's primacy in governing privacy and discrimination.[52]

Conclusion

Renting is not what is used to be. What was once informal, short-term and relatively cheap has become formalised, entrenched, and unaffordable. In years to come, for many Australians, renting will not be a transitional form of tenure. Rather, a significant cohort of Australians will likely be renting for life.

The worst excesses of the rental crisis over the past few years have revealed that the status quo for renters is patently unacceptable. While the states control the more immediate levers in remedying the crisis, the Commonwealth has a unique role which is can, and ought to, play. Recent Commonwealth initiatives are commendable, but there is plenty left to be done.

This paper has proposed five practicable avenues for the Commonwealth to make renting more tolerable and to insulate renters from the worst of the ongoing crisis.

First, recognising the increasingly long tenure of individuals in the rental market, it has proposed a National Portable Bond Scheme in which interest accrues to the tenant.

Secondly, it has proposed that long-term reliable rental histories be relevant considerations in Commonwealth housing assistance schemes.

Thirdly, it has proposed expanding CRA to individuals not on an existing Commonwealth income support.

Fourthly—and alternatively—it has proposed a 'Renter's Tax Offset' based on the applicable CRA rate for working households in rental stress.

Finally, in recognition of the emergent risks posed by invasive data collection and the Commonwealth's primacy in privacy and discrimination legislation, it has proposed that the Commonwealth coordinate a nationally uniform prescribed rental form.

None will be a silver bullet, but all are fiscally responsible, actionable and will go some way towards giving renters a fairer go.

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